

PROPOSED RESOLUTION

Resolution W-4997
DWA/ RSK/ JB5/ MDC/ jp4

AGENDA ID #13154 (Rev. 2)
ITEM #31

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION NO. W-4997
August 14, 2014

R E S O L U T I O N

(RES. W-4997), SAN GABRIEL VALLEY WATER COMPANY (SAN GABRIEL). ORDER APPROVING SAN GABRIEL VALLEY WATER COMPANY'S REQUEST TO AMORTIZE AN UNDER-COLLECTION OF \$2,142,670 IN ITS CALIFORNIA ALTERNATE RATES FOR WATER (CARW) MEMORANDUM ACCOUNT THROUGH A 12-MONTH SURCHARGE OF \$0.1597 PER HUNDRED CUBIC FEET.

By Advice Letter No. 441 filed on June 3, 2014.

SUMMARY

San Gabriel Valley Water Company (San Gabriel), a Class A water utility, seeks to amortize an under-collection of \$2,142,670 as of March 31, 2014 in its California Alternate Rates for Water (CARW) Memorandum Account for its Fontana Division through a 12-month surcharge of \$0.1597 per hundred cubic feet (Ccf).

The Division of Water and Audits (DWA) reviewed San Gabriel's request and finds the amortization of the under-collection to be reasonable and recommends Commission approval. The CARW Memorandum Account should be closed and the balance authorized in this Resolution transferred to a balancing account to track its amortization. San Gabriel is authorized to establish a CARW Balancing Account to track costs and revenues for its CARW program beginning April 1, 2014. San Gabriel should file a Tier 2 advice letter to implement the CARW Balancing Account into its tariff and to remove the CARW Memorandum Account from its Preliminary Statement in its tariff. The balance in the CARW Balancing Account should be reviewed for reasonableness as part of San Gabriel's next general rate case filing. San Gabriel should propose adjustments to its rates in the context of the general rate case to address future under-collections.

BACKGROUND

In 2006, San Gabriel established its CARW program for qualified low-income customers. In Decision (D.) 05-05-015, the California Public Utilities Commission (Commission) authorized the implementation of San Gabriel's CARW low-income program along with the ratemaking treatment for the program. San Gabriel was authorized to reduce its monthly service charge by 50% to qualified low-income customers while maintaining the same quantity rate. The Commission authorized a service charge to non-qualified customers to fund the CARW program. San Gabriel proposed a balancing account to track CARW program costs and revenues.

Instead of a balancing account, the Commission authorized San Gabriel to establish a memorandum account to track costs and revenues. San Gabriel was authorized by the Commission in D.14-05-001 to adopt a surcharge to amortize an under-collection of the \$278,437 March 2011 balance in the CARW Memorandum account. San Gabriel is now requesting to amortize the balance collected in the CARW Memorandum account between March 2011 and March 31, 2014.

DWA examined San Gabriel's CARW memorandum account's entries. DWA confirms that San Gabriel's CARW program is correctly recording the authorized costs for the program and booking revenues to fund the program for the Fontana Division for the period beginning April 2011 and ending March 2014.

NOTICE AND PROTESTS

In accordance with General Rule 4.2 of General Order 96-B, San Gabriel gave notice to its customers of the proposed increase by bill insert. San Gabriel served copies of AL 441 in accordance with General Order 96-B, Water Industry Rule 4.1 and General Rules 4.3 and 7.2. Service was provided to San Gabriel's Service List on June 3, 2014. No protests to AL 441 were received.

DISCUSSION

San Gabriel's CARW Memorandum Account generally had cumulative over-collections from the time the CARW program was initiated in August 2005. However, by March of 2011 when San Gabriel requested a surcharge to amortize the under-collection in the CARW Memorandum Account of a \$278,437, the cumulative balance had begun to be under-collected. Qualified CARW customers have continued to increase in the Fontana Division, from 12,066 in 2011 to 21,327 in 2014. Program costs in the CARW Memorandum Account have exceeded revenue funding levels on a monthly basis after March 2011.

In 2014, the CARW program enrollment stands at 21,327 customers (51.5% of residential customers in the Fontana Division). The increased enrollment is the result of the combined impact of the recession and the Commission's data sharing program between energy and water utilities, which the Commission mandated in D. 11-05-020. This has caused increasing monthly under-collections in the CARW Memorandum Account. The cumulative under-collection in the CARW Memorandum Account is \$2,142,670 as of March 31, 2014.

Proposed Ratemaking Treatment

San Gabriel proposes to add a surcharge of \$0.1597 per Ccf for twelve months to the bills of Fontana Division ratepayers who do not qualify for the CARW program, in order to amortize the under-collection in the CARW Memorandum Account. San Gabriel based the surcharge on 2013 adopted sales in D. 14-05-001 less sales provided under the construction tariffs, special contracts, and an average CARW customer usage.

DWA reviewed the documentation in support of the CARW Memorandum Account balance and the work papers in support of the surcharge calculation and finds San Gabriel's surcharge calculation to be correct. San Gabriel should not include the surcharge in the low-income water tariff schedules. By doing so, San Gabriel may be seen as charging low-income participants to fund a portion of the discount they have received. San Gabriel should file a supplement to AL 441 consistent with the tariff sheets attached as Appendix A to this Resolution.

San Gabriel should close the CARW Memorandum Account and transfer the \$2,142,670 under-collection to a balancing account to amortize the balance authorized in this Resolution. Further, San Gabriel is authorized to file a Tier 2 advice letter to establish a CARW Balancing Account in the Preliminary Statement in its tariff. San Gabriel should book all CARW-related costs and revenues to the CARW Balancing Account beginning April 2014 with the termination of the CARW Memorandum Account as of March 2014 when the balance authorized by this Resolution is transferred to a balancing account for recovery. Balances in the CARW Balancing Account will be reviewed in San Gabriel's next general rate case. San Gabriel should propose adjustments to its rates to amortize any under- or over-collections found to be reasonable as part of its next general rate case.

Finally, as part of its next general rate case filing, San Gabriel should propose either a change in the monthly service charge or establish a separate surcharge for non-participating CARW customers to fund the CARW program prospectively to address under-collections caused by significant increases in the qualified low-income participation rate over the last five years.

COMMENTS

PU Code Section 311(g)(1) provides that resolutions generally must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Accordingly, this draft Resolution was mailed to the utility and made available for public comment on July 15, 2014.

San Gabriel Valley submitted comments to the draft resolution on August 4, 2014. DWA reviewed the comments which requests revisions to Special Conditions to tariff sheets, Schedules numbers: FO-1 General Metered Service, FO-1C General Metered Service-Conservation Rates, and Fo-6 Fontana Water Metered Service.

At the same time, San Gabriel requests in comments to correct the amortization surcharge rate they based on the CARW at average residential usage and the most up to date CARW program participation enrollment figure, 21,327 customers. However, DWA recommends not allowing San Gabriel Valley's amortization surcharge correction's request because San Gabriel Valley's figures are not Commission adopted figures. The Commission has adopted in the Settlement Agreement between the Office of Ratepayer Advocates (ORA) and San Gabriel Valley and an audited 2011's 11,999 CARW participation enrollment (D.14.05.001).

San Gabriel Valley also points out in comments that San Gabriel plans to establish in the next general rate case the authorized Commission surcharge adopted in D.1.05.001 and separate out the surcharge on non-participating CARW customers to fund the CARW program prospectively to reflect the forecasted Test Year CARW participation rate level and benefits.

FINDINGS AND CONCLUSIONS

1. On June 3, 2014, San Gabriel Water Company (San Gabriel) filed Advice Letter 441 requesting to amortize an under-collection of a \$2,142,670 for its California Alternate Rates for Water (CARW) Memorandum Account through a 12-month surcharge of \$0.1597 per hundred cubic feet (Ccf) on the bills of ratepayers in its Fontana Division who do not qualify for the CARW program.
2. San Gabriel established the CARW program, a low income program for qualified customers, as directed by Decision (D.) 05-05-015.
3. San Gabriel continues to have an under-collection on the CARW Memorandum Account on a monthly basis since the March 2011 amortized balance. The under-collection results from the 2008 recession, and increased CARW participation stemming from the Commission's decision mandating data sharing of potentially eligible low-income customers between energy and water utilities in D.11-05-020.

4. The Division of Water and Audits reviewed San Gabriel's documentation supporting the balance in the CARW Memorandum Account and finds the \$2,142,670 balance to be reasonable.
5. San Gabriel's calculation of the surcharge is based on D.14-05-001 adopted sales less sales under construction tariffs, special contracts, and CARW program usage. The special condition incorporating the surcharge approved in this Resolution should not be included in Schedule No. FO-CARW serving low-income customers.
6. San Gabriel should file a supplement to Advice Letter 441 consistent with the tariff sheets approved in this Resolution and attached as Appendix A.
7. The CARW Memorandum Account should be closed and the balance authorized in this Resolution transferred to a balancing account for amortization.
8. San Gabriel should be authorized to establish a CARW Balancing Account.
9. San Gabriel should file a Tier 2 advice letter to: 1) remove the CARW Memorandum Account from the Preliminary Statement in its tariff, and 2) incorporate the CARW Balancing Account into the Preliminary Statement in its tariff. All costs and revenues related to its CARW program beginning April 1, 2014 should be booked to this account. The account balance should be reviewed in San Gabriel's next general rate case.

THEREFORE IT IS ORDERED THAT:

1. San Gabriel Valley Water Company is authorized to amortize the under-collected balance as of March 31, 2014 in its California Alternate Rates for Water Memorandum Account, a total of of \$2,142,670, through a 12-month surcharge of \$0.1597 per hundred cubic feet on the bills of ratepayers in the Fontana Division who do not qualify for the California Alternative Rates for Water program. The attached tariff sheets in Appendix A to this Resolution are approved.
2. San Gabriel Valley Water Company shall file within five days of the effective date of this Resolution a supplement to Advice Letter 441 consistent with the tariff sheets attached in Appendix A to this Resolution. The tariff sheets shall be effective 5 days following the submittal of the supplement to Advice Letter 441. San Gabriel Valley Water Company shall close the California Alternate Rates for Water Memorandum Account and transfer the \$2,142,670 balance as of March 31, 2014 to a balancing account to track amortization of the balance authorized in this Resolution. San Gabriel Valley Water Company shall file, as part of the Tier 2 advice letter in Ordering Paragraph #3, to remove the California Alternate Rates for Water

Memorandum Account from the Preliminary Statement in its tariff.

3. San Gabriel Valley Water Company shall file a Tier 2 advice letter to establish a California Alternate Rate for Water Balancing Account in the Preliminary Statement in its tariff. All costs and revenues related to the California Alternate Rate for Water program should be booked to this balancing account beginning April 1, 2014.
4. This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on August 14, 2014; the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director

APPENDIX A

SCHEDULE NO. FO-1
Fontana Water Company
GENERAL METERED SERVICE
(continued)

<u>RATES</u> (continued)	Per Battery	
	<u>Per Month</u>	
For two 2-inch meters.....	\$	\$222.00
For three 2-inch meters... ..		333.00
For four 2-inch meters		444.00
For two 3-inch meters.....		417.00
For two 4-inch meters.....		695.00
For one 8-inch meter, two 2-inch meters.....		1330.00
For two 8-inch meters		2200.00

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added to the quantity charge computed at the Quantity Rates.

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.
2. A surcredit of \$0.2165 per Ccf is to be applied to the quantity rates for thirty-six months beginning on August 1, 2014 and ending on July 31, 2017 to refund an overcollection associated with the Sandhill Water Treatment Facility Plant.
3. A surcredit of \$0.0294 per Ccf is to be applied to the quantity rates for a 12-month period beginning on February 26, 2014 to amortize the overcollection in the Cost of Capital Interim Rate Memorandum Account (CCIRMA).
4. A surcredit of \$0.0330 per Ccf is to be applied to the quantity rates for a 12-month period beginning on May 6, 2014 to amortize the March 2011 balances in five balancing and memorandum accounts as authorized by D.14-05-001.
5. A surcharge of \$0.1297/Ccf is to be applied to the quantity rates of only non-CARW customers to recover the estimated benefits provided under the California Alternative Rates for Water (CARW) program.
6. A surcharge of \$0.1597 per Ccf is to be applied to the quantity rates of only non-CARW customers for a 12-month period beginning on the effective date of Advice Letter 441 to amortize the undercollection in the California Alternative Rate for Water (CARW) Memorandum Account.

(N)

SCHEDULE NO. FO-1C
Fontana Water Company
GENERAL METERED SERVICE- CONSERVATION RATES

APPLICABILITY

Applicable to all metered Residential customers, excluding apartments, trailer parks, and any other facility in which Residential customers receive service through a master meter.

TERRITORY

Portions of Fontana, Rancho Cucamonga, Rialto, and vicinity, San Bernardino County.

RATES

Quantity Rates:

For the first 16 Ccf of water used, per 100 cu. ft.	\$ 2.5027
For all Ccf greater than 16 Ccf, per 100 Cu. Ft	\$ 2.8781

Per Meter
Per Month

Service Charges:

For 5/8 x 3/4-inch meter	\$ 14.52
For 3/4-inch meter	21.78
For 1-inch meter.....	36.31
For 1-1/2-inch meter	72.61
For 2-inch meter.....	116.20
For 3-inch meter.....	217.80

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.
2. A surcredit of \$0.2165 Ccf is to be applied to the quantity rates for thirty six months beginning on August 1, 2014 and ending on July 31, 2017 to refund an overcollection associated with the Sandhill Water Treatment Facility Plant.
3. A surcredit of \$0.0294 per Ccf is to be applied to the quantity rates for a 12-month period beginning on the effective date of Advice Letter 431-A to amortize the overcollection in the Cost of Capital Interim Rate Memorandum Account (CCIRMA).
4. A surcredit of \$0.0330 per Ccf is to be applied to the quantity rates for a 12-month period beginning on the effective date of Advice Letter 436 to amortize the March 2011 balances in five balancing and memorandum accounts as authorized by D.14-05-001.
5. A surcharge of \$0.1297/Ccf is to be applied to the quantity rates of only non-CARW customers to recover the estimated benefits provided under the California Alternative Rates for Water (CARW) program.
6. A surcharge of \$0.1597 per Ccf is to be applied to the quantity rates of only non-CARW customers for a 12-month period beginning on the effective date of Advice Letter 441 to amortize the undercollection in the California Alternative Rates for Water (CARW) Memorandum Account. (N)

SCHEDULE NO. FO-6
Fontana Water Company Tariff Area
RECYCLED WATER METERED SERVICE

APPLICABILITY

Applicable to all recycled water metered service.

TERRITORY

Portions of Fontana, Rancho Cucamonga, Rialto, and vicinity, San Bernardino County.

RATES

Quantity Rates:

For all water delivered per 100 cu. ft \$ 2.0389

Service Charges:

Per Meter, Per Month

For 5/8 x 3/4-inch meter \$ 13.89
For 3/4-inch meter 20.84
For 1-inch meter 34.73
For 1-1/2-inch meter 69.45
For 2-inch meter 111.10
For 3-inch meter 208.40
For 4-inch meter 347.30
For 6-inch meter 690.00
For 8-inch meter 1,110.00
For 10-inch meter 1,160.00
For 12-inch meter 2,290.00

Per Battery
Per Month

For two 2-inch meters \$222.00
For three 2-inch meters 333.00
For four 2-inch meters 444.00
For two 3-inch meters 417.00
For two 4-inch meters 695.00
For one 8-inch meter, two 2-inch meters 1,330.00
For two 8-inch meters 2,200.00

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the charge for reclaimed water used computed at the Quantity Rates.

SCHEDULE NO. FO-6
Fontana Water Company Tariff Area
RECYCLED WATER METERED SERVICE *(continued)*

SPECIAL CONDITIONS

1. The Quantity Rate is set at 75% of the Quantity Rate of Schedule No. FO-1.
2. The customer is responsible for compliance with all local, state, and federal rules and regulations that apply to the use of reclaimed water on the customer's premises.
3. The utility will supply only such recycled water at such pressure as may be available from time to time from the recycled water system. The customer shall indemnify the utility and save it harmless against any and all claims arising out of service under this schedule and shall further agree to make no claims against the utility for any loss or damage resulting from service under this schedule.
4. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.
5. A surcredit of \$0.2165 per Ccf is to be applied to the quantity rates for thirty-six months beginning on August 1, 2014 and ending on July 31, 2017 to refund an overcollection associated with the Sandhill Water Treatment Facility Plant.
6. A surcredit of \$0.0294 per Ccf is to be applied to the quantity rates for a 12-month period beginning on February 26, 2014 to amortize the overcollection in the Cost of Capital Interim Rate Memorandum Account (CCIRMA).
7. A surcredit of \$0.0330 per Ccf is to be applied to the quantity rates for a 12-month period beginning on May 6, 2014 to amortize the March 2011 balances in five balancing and memorandum accounts as authorized by D.14-05-001.
8. A surcharge of \$0.1297/Ccf is to be applied to the quantity rates of only non-CARW customers to recover the estimated benefits provided under the California Alternative Rates for Water (CARW) program.
9. A surcharge of \$0.1597 per Ccf is to be applied to the quantity rates of only non-CARW customers for a 12-month period beginning on the effective date of Advice Letter 441 to amortize the undercollection in the California Alternative Rates for Water (CARW) Memorandum Account.

(N)

END OF APPENDIX A

CERTIFICATE OF SERVICE

I certify that I have by either electronic mail or postal mail, this day, served a true copy of Proposed Resolution No. W-4997 on all parties in these filings or their attorneys as shown on the attached lists.

Dated July 15, 2014, at San Francisco, California.

/s/ JENNIFER PEREZ

Jennifer Perez

Parties should notify the Division of Water and Audits, Fourth Floor, California Public Utilities Commission, 505 Van Ness Avenue, San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the Resolution number on which your name appears.

**SAN GABRIEL VALLEY WATER COMPANY
ADVICE LETTER NO. 441
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